The State of New Hampshire
Insurance Department
21 South Fruit Street, Suite 14
Concord, NH 03301

Roger A. Sevigny
Commissioner

Alexander K. Feldvebel
Deputy Commissioner

Frequently Asked Questions About SB 125

What is SB 125?

SB 125 is a bill passed last year that changes the way in which premium rates in the small group market are set.

How does SB 125 change how premium rates are set?

SB 125 changes the way premium rates are set in three major ways. These are: (number and indent)

SB 125 sets a composite band at 3.5:1 on premium rates. That means that the highest premium charged for a particular type of coverage cannot be more than 3.5 greater than the lowest premium charged for that coverage.

SB 125 does not include an additional rating factor for groups of one. That means that groups of one cannot be charged more simply because of their size.

SB 125 restricts a carrier from using varying premium rates for any reason other than the age of the employee, the industry, and the type of plan purchased. A carrier may not vary rates due to the health of the employee, the gender of the employee, the geographic location of the employee, or any other characteristic of the group or the employees in that group.

What changes does SB 125 make to the family health statement?

SB 125 prohibits carriers in the small group market from using family health statements to establish or modify premium rates.

SB 125 does provide for the use of a family health statement in order to allow a carrier to make a decision as to whether to cede the employee or the group to the reinsurance pool.

SB 125 requires that the board of the reinsurance mechanism develop a standard health statement form that will be used by all carriers.

May a carrier deny coverage to an employee or a group if the employee or group fails to provide complete health statements?

Yes, a carrier may either refuse to enroll an employee who does not complete the family health statement or refuse to issue coverage to a group that fails to meet participation requirements due to an employee's failure to complete the family health statement. If a carrier issues coverage before obtaining the family health statements from the employees, it may disenroll an employee who fails to provide a complete family health statement.

Does SB 125 place a cap on premium increases resulting from the transition from the prior rating rules under SB 110?

Yes. SB 125 caps premium increases at 20% plus trend. This means that a group's premium at renewal may not increase more than 20% plus trend, unless the members of that group have changed or that the group purchases different health coverage. The 20% limitation only applies to renewal, and not new issues.

May a carrier change its billing methodology so as to affect the premium charges to individual employees?

No. SB 125 prohibits a carrier from switching its billing methodology from list billing to composite billing, or vice versa, without the consent of the employer. A carrier must use the same billing methodology that it had in place for that group as of January 1, 2006, unless the employer provides written consent for a change in billing methodology. A carrier may not change its billing methodology during the policy year.

What other changes does SB 125 make to small group insurance?

SB 125 creates a reinsurance mechanism for carriers to cede the risk of high risk employees or groups.

How is the reinsurance mechanism funded?

The reinsurance mechanism is funded through premium payments made by carriers that cede employees or groups to the mechanism and an assessment base that is based on a per member per month charge on all insured lives. The assessment base includes approximately 650,000 lives.

If a carrier chooses to cede an employee to the reinsurance mechanism will that employee’s coverage change?

Neither the employee nor the employer will know whether they have been ceded to the reinsurance mechanism. By law, the carrier remains liable to pay all claims under the policy that it is issued. For risks that are ceded to the reinsurance mechanism, the carrier will receive reimbursement for certain claims. The carrier’s responsibility to pay the claims in the first instance is unrelated to the carrier’s right to receive reimbursement of those expenses from the reinsurance mechanism.

Who administers the reinsurance mechanism?

The reinsurance mechanism is administered by a Board that includes representatives of the carriers and the Commissioner of Insurance.